

FISCAL NOTE

SB 2662 - HB 2675

March 27, 2006

SUMMARY OF BILL: Enacts the *Tennessee School Choice Act of 2006* to provide certain low-income parents opportunities to enroll their children in higher-performing schools. The Commissioner of Education will award scholarships to eligible students up through grade 8, to pay tuition, fees, and transportation expenses to enable them to attend the school of their choice. Scholarships will be funded from the state's rainy day reserve fund for the first three years and with general funds thereafter and will not exceed \$7,500 per applicant for any academic year. An independent entity will be selected to evaluate annually the performance of students who received scholarships.

ESTIMATED FISCAL IMPACT:

**Increase State Expenditures - Exceeds \$48,000,000 (First Three Years
From the Rainy Day Fund)**

Decrease State Expenditures – Exceeds \$16,378,000 FY 07-08 and thereafter

Decrease Local Govt. Expenditures - \$11,320,000

Decrease Local Govt. Revenues – Exceeds \$16,378,000 FY 07-08 and thereafter

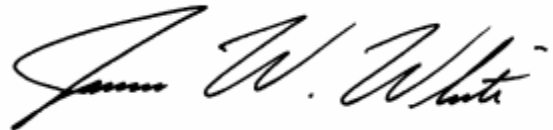
Assumptions:

- There are 158 schools on the state's high priority list, which corresponds to schools identified for improvement, corrective action, or restructuring under Section 1116 of the Elementary and Secondary Education Act of 1965. Only students who have attended a high priority school are eligible for the scholarships.
- Since the number of students who would apply for the scholarships is unknown, it is assumed that at least 5% of each school's student body would apply. There are 127,793 total students in the 158 high priority schools. Five percent would be approximately 6,390 students. The amount of the scholarship may not exceed \$7,500 per recipient (scholarships would be paid directly to the parent or the eligible student). Therefore, \$47,925,000 (6,390 student x \$7,500) for scholarships plus approximately \$204,000 for additional personnel in the Department of Education and approximately \$150,000 for an independent entity analysis.

- BEP funding numbers from the 2005 budget were used to determine the state and local per pupil share of BEP funds for each LEA with a high priority school. If at least 5% of students opted into the school choice program, the decrease in state expenditures and the decrease in LEA revenues is estimated to be approximately \$16,378,000 respectively (5% of per pupil funding at the state level would not be given to the LEA assuming that 5% used the scholarships). Because most BEP funding for public schools is based on the ADM of the LEA, a decrease in the number of students attending the LEA schools would decrease the total BEP funds received by the LEA. This would cause the total amount to fully fund the BEP to decrease, causing a decrease in the state expenditures.
- The decrease in local government expenditures based on 5% of students opting into the program is estimated to be approximately \$11,320,000.
- If a 10% participation rate is assumed, the estimated cost of this bill would double.
- Funds for implementation of this bill would come from the Revenue Fluctuation Reserve fund for the first three years

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "James W. White". The signature is fluid and cursive, with the first name "James" written in a larger, more prominent script than the last name "White".

James W. White, Executive Director